

Message Text

UNCLASSIFIED

PAGE 01 LISBON 01554 01 OF 02 261524Z
ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-01 INR-07 NSAE-00 TRSE-00 XMB-04 OPIC-06 SP-02
LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01 SSO-00
INRE-00 NSCE-00 USIE-00 AGRE-00 ITC-01 /091 W
-----261555 062274 /47

O R 271442Z FEB 77
FM AMEMBASSY LISBON
TO SECSTATE WASHDC IMMEDIATE 0325
INFO AMEMBASSY BONN
AMEMBASSY PARIS
USMISSION OECD PARIS
USMISSION EC BRUSSELS
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
USMISSION GENEVA
USDEL MTN GENEVA
AMCONSUL OPORTO
AMCONSUL PONTA DELGADA

UNCLAS SECTION 1 OF 2 LISBON 1554

DEPARTMENT PASS TREASURY FOR SYVRUD

E.O. 11652: N/A
TAGS: EFIN, EIND, ETRD, EINV, PLOS, EWWT, PO
SUBJ: IMPORTANT GOP ECONOMIC MEASURES

SUMMARY: GOP SPOKESMAN ANNOUNCED EARLY MORNING FEB 26 LONG
LIST OF ECONOMIC MEASURES. DECISIONS, DESIGNED BASICALLY TO
HAVE PRINCIPAL IMPACT ON BALANCE OF PAYMENTS AND INVESTMENT,
INCLUDE WIDE RANGE OF MEASURES AFFECTING FINANCIAL, TRADE, AND
PRICE POLICIES. MAJOR DECISIONS INCLUDE 15 PERCENT
DEVALUATION OF ESCUDO, ESTABLISHMENT OF 200 MILE MARINE
ECONOMIC ZONE, INCREASE IN SALES TAXES, NEW TRADE RESTRICTIONS,
AND COMPENSATION FOR INDIVIDUALS AFFECTED BY NATIONALIZATIONS.
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 LISBON 01554 01 OF 02 261524Z

END SUMMARY.

1. FOLLOWING EXTENSIVE COUNCIL OF MINISTERS MEETING FEB 24
AND FEB 25. FINANCE MINISTER MEDINA CARREIRA AND SECRETARY
OF STATE FOR SOCIAL COMMUNICATIONS MANUEL ALEGRE ANNOUNCED
ON NATIONAL TV LONG LIST OF ECONOMIC MEASURES ADOPTED BY GOP.
STATEMENTS EMPHASIZED THAT MEASURES ARE DESIGNED TO RELAUNCH

THE ECONOMY AND CONSOLIDATE DEMOCRACY IN PORTUGAL. FOLLOWING
ARE MEASURES AS PUBLISHED IN FEB 26 PRESS:

A. MEASURES TO BE IMPLEMENTED IMMEDIATELY:

1. FINANCIAL POLICIES:

A. DEVALUE THE ESCUDO BY 15 PERCENT.

B. DEFINE THE VALUE PAYABLE AS AN INHERITANCE
UPON DEATH OF AN OWNER OF A DEPOSIT CERTIFICATE (CERTIFICADO
DE AFORRO).

C. STANDARDIZE BANKING REGULATIONS FOR TIME
DEPOSITS.

D. CLEARLY ANNOUNCE PROCEDURES UNDER WHICH
EMIGRANTS CAN UTILIZE OR REMIT DEPOSITS IN PORTUGUESE BANKING
SYSTEM.

E. APPOINT A COMMISSION TO RESTRUCTURE SERVICES
OF PORTUGUESE CREDIT INSTITUTIONS IN FRANCE.

F. PERMIT THE NATIONAL SAVINGS BANK (CAIXA
GERAL DE DEPOSITOS) TO INSTITUTE A REDISCOUNT LINE FOR
INVESTMENTS, AS A MEANS OF UTILIZING ITS EXCESS LIQUIDITY.

G. ESTABLISH A PROVISIONAL VALUE FOR COMPENSATING
INDIVIDUALS FOR NATIONALIZATIONS AND PERMIT THE RECIPIENTS
TO USE THE RESULTING TREASURY OBLIGATIONS TO PAY THEIR DEBTS
TO THE GOVERNMENT OR TO THE SOCIAL SECURITY SYSTEM, AS WELL AS
TO FINANCE INVESTMENTS.

H. ESTABLISH AMOUNT OF INDEMNITIES DUE TO
FOREIGNERS BY APRIL 30, WITH 30 ADDITIONAL DAYS ALLOTTED FOR
ARBITRATION.

I. RESTRUCTURE THE PUBLIC CREDIT BOARD.

J. RAISE CENTRAL BANK DISCOUNT RATE FROM 6.5
TO 8 PERCENT. SCALE REDISCOUNT RATE ACCORDING TO SIZE OF
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 LISBON 01554 01 OF 02 261524Z

DEBITS OF EACH BANK. UPDATE FINANCIAL STATEMENTS OF BANKS
TO REFLECT REAL VALUES, AND ADJUST RESERVE REQUIREMENTS.

K. ADJUST INTEREST RATES ON LOANS FOR NEW
PRODUCTIVE INVESTMENT OR REPLACEMENT OF CAPITAL EQUIPMENT.

L. ESTABLISH ONE BILLION ESCUDO FUND GUARANTEEING
AGAINST FOREIGN EXCHANGE RISKS IN OPERATIONS OF "NATIONAL
INTEREST."

M. RAISE LIMIT FOR STATE GUARANTEES FOR
EMERGENCY AGRICULTURE CREDIT TO SEVEN BILLION ESCUDOS.

N. RAISE LIMIT OF GUARANTEES FOR LOANS MADE
BY THE INSTITUTE FOR SUPPORT OF SMALL AND MEDIUM BUSINESSES
TO TWO BILLION ESCUDOS.

O. ESTABLISH SYSTEM ALLOWING BANK CREDITS FOR
PAYMENT OF COMPLIMENTARY INCOME TAX.

P. ALLOW HOLDERS OF SHARES IN FIDES AND FIA
MUTUAL FUNDS TO USE SHARES TO LIQUIDATE UNSECURE LOANS.

2. PRICE POLICIES:

A. INCREASE THE NUMBER OF PRODUCTS FOR WHICH

PRODUCERS CAN RAISE PRICES, SUBMITTING THEIR DECISIONS FOR
SUBSEQUENT RATHER THAN PRIOR GOVERNMENT APPROVAL.

B. LIMIT PRICE SUBSIDIES TO NINE BILLION ESCUDOS
FOR FOLLOWING ITEMS WHICH WILL BE INCLUDED IN BASIC
CONSUMER BASKET AND WHOSE PRICES WILL BE HELD CONSTANT FOR
NEXT 12 MONTHS, BREAD; MOST TYPES OF CRACKERS; NOODLES
(MASSAS); EDIBLE WHEAT FLOUR; MOST TYPES OF RICE; SUGAR; SOY-
BEAN, SUN FLOWER, AND PEANUT OIL; MARGARINE; FRESH AND
POWDERED NON-INSTANT MILK; FROZEN FISH AND BEEF;
SOAP; PIPED GAS AND BOTTLED BUTANE; AND HOUSEHOLD ELECTRICITY
RATES.

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 LISBON 01554 02 OF 02 261549Z
ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-01 INR-07 NSAE-00 TRSE-00 XMB-04 OPIC-06 SP-02
LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01 SSO-00
INRE-00 NSCE-00 USIE-00 AGRE-00 ITC-01 /091 W
-----261554 062347 /47

O R 271442Z FEB 77
FM AMEMBASSY LISBON
TO SECSTATE WASHDC IMMEDIATE 0326
INFO AMEMBASSY BONN
AMEMBASSY PARIS
USMISSION OECD PARIS
USMISSION EC BRUSSELS
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
USMISSION GENEVA
USDEL MTN GENEVA
AMCONSUL OPORTO
AMCONSUL PONTA DELGADA

UNCLAS SECTION 2 OF 2 LISBON 1554

DEPARTMENT PASS TREASURY FOR SYVRUD

C. FOLLOWING ARE NOT INCLUDED IN BASIC
CONSUMER BASKET, BUT THEIR PRICES WILL BE INCREASED AND
THEN PLACED UNDER CONTROLS: FRESH BEEF; POTATOES, OLIVE
OIL; CHICKENS; EGGS; ITALIAN STYLE SAUSAGES; MILK DERIVATIVES;
AND "FLAMENGO" CHEESE.

D. APPROVE NEW SYSTEM FOR SETTING GUARANTEED

AGRICULTURE PRICES IN ORDER TO AVOID PRICE DISTORTIONS
AND MISALLOCATION OF FERTILIZERS.

E. INSTITUTE NEW PROCEDURES FOR SLAUGHTERING
AND MARKETING BEEF.

F. INCREASE POSTAL AND TELEPHONE SUB-
SCRIPTION RATES.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 LISBON 01554 02 OF 02 261549Z

3. TRADE POLICIES:

A. INCREASE FLEXIBILITY OF "DRAWBACK" SYSTEM.

B. ACCELERATE PROCESS FOR GRANTING REDUCTION
OR ELIMINATION OF SELECTED IMPORT DUTIES. SET TEMPORARY
QUANTITATIVE LIMITS ON SPECIFIED CONSUMER IMPORTS.

C. EXPAND LIST OF ITEMS SUBJECT TO SIXTY
PERCENT SURCHARGE. AMONG THESE ADDITIONAL PRODUCTS ARE:
POTATO FLOUR; PEANUTS; EDIBLE NOODLES; HOUSEHOLD WOOD
MANUFACTURES; CORK PRODUCTS; CHINA; LAMPS; MOTORCYCLES;
CAMERAS; AND WATCHES.

D. REQUIRE THAT EXPORTS OR IMPORTS BY PUBLIC
ENTITIES BE CARRIED ON PORTUGUESE SHIPS OR ON SHIPS CHARTERED
BY PORTUGAL SHIPPING LINES, EXCEPT IN CASE OF RECIPROCAL OR
INTERNATIONAL AGREEMENTS.

E. ESTABLISH NEW SYSTEM FOR REGISTERING BEARER
SHARES.

F. AUTHORIZE MUNICIPAL AUTHORITIES TO SET
WORKING HOURS FOR COMMERCIAL ESTABLISHMENTS.

G. ESTABLISH AUTONOMOUS BUREAU FOR PETROLEUM
EXPLORATION WITHIN INDUSTRY MINISTRY.

H. REEVALUATE, ON CASE-BY-CASE BASIS,
ASSETS OF PRIVATE FIRMS OF DEMONSTRABLE VIABILITY,
INCLUDING THOSE UNDER STATE INTERVENTION.

4. SOCIAL POLICIES:

A. RAISE UNEMPLOYMENT BENEFITS, EXPAND COVERAGE,
AND SIMPLIFY REQUIREMENTS.

B. SOCIAL SECURITY: RAISE AVERAGE PAYMENTS
FOR 300,000 OLD AGE PENSIONERS BY AVERAGE OF 520 ESCUDOS
A MONTH. EXTEND SOCIAL SECURITY BENEFITS TO MORE THAN 200,000
WORKERS NOT COVERED BY COLLECTIVE CONTRACT, AND TO ALL
PERSONS OVER 65 OR INVALIDS WHO GAIN LESS THAN 1250 ESCUDOS
A MONTH. IN ORDER TO CORRECT SUCH ABUSES AS 43 MILLION
WORK DAYS LOST TO ILLNESS IN 1975, SET NEW MINIMUM PERIODS
IN ORDER TO QUALIFY FOR PENSIONS: 60 MONTHS OF CONTRIBUTIONS
FOR OLD AGE PENSION AND 36 MONTHS FOR MEDICAL OR SURVIVORS
PENSIONS. IN ORDER TO OBTAIN EQUAL BENEFITS FOR

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 LISBON 01554 02 OF 02 261549Z

PORTUGUESE EMIGRANT WORKERS, GOP IS ADHERING TO EUROPEAN CONVENTION FOR SOCIAL AND MEDICAL ASSISTANCE.

C. HEALTH: CREATE EMERGENCY MEDICAL SERVICES FOR NORTHERN PORTUGAL, REGULATE HOSPITAL MANAGEMENT, AND DEFINE COMPETENCE OF DISTRICT HEALTH AUTHORITIES.

D. INCREASE ANNUITY PAYMENTS.

B. FOLLOWING ITEMS WILL NOT BE IMPLEMENTED IMMEDIATELY BECAUSE THEY REQUIRE ADDITIONAL AUTHORIZATION OR PROCEDURAL REGULATIONS:

1. INCREASE BASIC SALES TAX RATES BY TWENTY PERCENT AND SHIFT A NUMBER OF LUXURY ITEMS INTO HIGHER TAX RATE CATEGORIES.

2. RAISE INTEREST RATES ON TREASURY BONDS SOLD IN 1975 AND 1976 FROM TEN PERCENT TO 11.5 PERCENT.

3. REQUEST CONGRESSIONAL AUTHORIZATION FOR 15 BILLION ESCUDO PUBLIC LOAN ISSUE, PAYING BETWEEN FOUR AND FOURTEEN PERCENT INTEREST.

4. REQUEST NATIONAL ASSEMBLY TO INCREASE BENEFITS PAYABLE TO EXPORTERS.

5. ESTABLISH 200 MILE MARINE ECONOMIC ZONE.

6. REGULATE FIRMS UNDER WORKER MANAGEMENT: PROPOSED LAW FOR FIRMS UNDER WORKER MANAGEMENT (AUGOGESTAO) CONFRONTS "DE FACTO" SITUATIONS IN ORDER TO REGULATE WORKER MANAGEMENT WHILE COURTS DEFINE STATUS OF EACH COMPANY. PROVISIONAL TITLE AND MANAGEMENT WILL BE TRANSFERRED TO THE WORKERS UNDER SUPERVISION OF TO-BE-CREATED NATIONAL INSTITUTE FOR COMPANIES UNDER WORKER MANAGEMENT. THIS PROVISIONAL STATUS WILL ENDURE UNTIL COURTS RENDER DECISION, OWNERS AND WORKERS COME TO AGREEMENT, OR UNTIL STATE EXPROPRIATES COMPANY. IF OWNERS DO NOT FILE SUIT TO REGAIN CONTROL WITHIN TWO YEARS, PROPERTY WILL PASS TO THE STATE. OWNERS CANNOT REGAIN CONTROL IF COMPANY WAS BANKRUPT AT TIME OF WORKER TAKEOVER.

7. CONTRACTS FOR FIRMS IN ECONOMIC DIFFICULTY: THIS WOULD ALLOW BANKS TO CONTRACT LOANS, DEFINING PRODUCTION AND PROFITABILITY GOALS, WITH SUCH FIRMS IN ORDER TO PERMIT RECUPERATION AND MAINTENANCE OF EMPLOYMENT. VARIOUS ANCILLARY UNCLASSIFIED

UNCLASSIFIED

PAGE 04 LISBON 01554 02 OF 02 261549Z

ECONOMIC, FINANCIAL, AND TAX INCENTIVES MUST BE APPROVED BY ASSEMBLY.

8. ALLOW TAX BENEFITS FOR COMPANIES BY REDUCING OR ELIMINATING TAXES DUE BECAUSE OF INCORPORATION OF RESERVES INTO COMPANY CAPITAL.

9. INCREASE NUMBER OF CERTIFICATES PROVIDING LIFETIME INTEREST PAYMENTS.
OKUN

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC DEVELOPMENT, ECONOMIC PROGRAMS
Control Number: n/a
Copy: SINGLE
Sent Date: 27-Feb-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977LISBON01554
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770067-1125
Format: TEL
From: LISBON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t1977025/aaaaaeaj.tel
Line Count: 274
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 2fe3f5c7-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 22-Oct-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3340448
Secure: OPEN
Status: NATIVE
Subject: IMPORTANT GOP ECONOMIC MEASURES SUMMARY: GOP SPOKESMAN ANNOUNCED EARLY MORNING FEB 26 LONG LIST OF ECONOMIC MEASURES. DECISIONS, DESIGNED BA
TAGS: EFIN, EIND, ETRD, EINV, PLOS, EWWT, PO
To: STATE
Type: TE
vdkgvwkey: odbcc://SAS/SAS.dbo.SAS_Docs/2fe3f5c7-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009